

[REDACTED]
[REDACTED]
[REDACTED]
AUG 30 1990

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(4) of the Internal Revenue Code.

The information submitted indicates that your organization was incorporated on [REDACTED] under the laws of the State of [REDACTED] to provide for the maintenance, preservation and control of the common elements within that certain tract of property described in Exhibits "A" and "B" of a certain Master Deed entitled, "[REDACTED]".

The activities of your association include administering, managing and operating the common affairs of the unit owners and to maintain, repair and replace the general and limited common elements of the condominium as provided in the Master Deed and Bylaws.

Your income is primarily derived from collection of each unit owner's proportionate share of the assessment for common expenses. Expenses cover the repairs, replacement and maintenance of the limited common elements.

Section 501(c)(4) of the Code provides for the exemption from federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated for the promotion of social welfare if it promotes, in some way, the common good and general welfare of the people of the community. An organization described in this section is one which is operated for the purpose of bringing about civic betterments and social improvements.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]			
Date	7-27-90	7-30-90	7/30/90			

[REDACTED]

In Revenue Ruling 74-17, 1974-1, C.B., an organization was formed by unit owners of a condominium housing project and was operated to provide for the management, maintenance, and care of the common areas of the project. Its income was from membership assessments and its disbursements were operating expenses. The organization did not qualify for exemption under section 501(c)(4) because the essential nature and structure of a condominium system of ownership, the rights, duties, privileges, and immunities of the members of an association of unit owners derive from, and are established by, statutory and contractual provisions and are inextricably, and compulsorily tied to the owner's acquisition and enjoyment of his property in the condominium. Additionally, condominium ownership involves the maintenance and care of common areas which necessarily constitutes the provision of private benefit for unit owners.

Based on the information submitted, it is determined that your organization is operating in the same manner as the organization described in Revenue Ruling 74-17 and therefore does not qualify for exemption under section 501(c)(4) of the Code.

You are a taxable entity and required to file federal income tax returns on Form 1120.

A "homeowners' association" that is not exempt under section 501(c)(4) and that is a condominium management association generally may elect under the provisions of section 528 of the Code to receive certain tax benefits that, in effect, permit the exclusion of its exempt function income from its gross income.

Enclosed is a copy of Publication 588 which provides information with respect to section 528 should the association desire to consider election of coverage under this provision of the Code.

If you do not accept our findings regarding your exempt status under section 501(c)(4), we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office. If we do not hear from you, and you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney authorization with us.

[REDACTED]

If you do not appeal this determination within 30 days from the date of this letter, as explained in the enclosed Publication 892, this letter will become our final determination on this matter.

Sincerely yours,

[REDACTED]
District Director

Enclosures:
Publication 892, Publication 588